

TOWNSHIP OF HEATH
Allegan County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2007

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Heath	County Allegan
Audit Date June 30, 2007	Opinion Date August 13, 2007	Date Accountant Report Submitted to State: August 17, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., PC			

TOWNSHIP OF HEATH
Allegan County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	4
Government-wide Statement of Activities	5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	9
Notes to Financial Statements	10-14
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	15
Other Supporting Information:	
General Fund Expenditures by Detailed Account	16-17
Current Tax Collection Fund Statement of Changes in Assets and Liabilities	18

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

August 13, 2007

To the Township Board
Township of Heath
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Heath, Allegan County, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Heath's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Heath, Allegan County, Michigan as of June 30, 2007, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., PC
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF HEATH
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2007

This section of the Heath Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2007. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net Assets at June 30, 2007, totaled \$2,631,814.13. Of this total, \$1,042,818.00 represents capital assets net of depreciation.

Overall, revenues were \$983,314.49.

We did not incur any new debt during the year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund and the Cemetery Fund.

TOWNSHIP OF HEATH
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund and the Cemetery Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's net assets increased by \$426,289.57 during the year ended June 30, 2007, totaling \$2,631,814.13.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$201,370.86.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township of Heath acquired \$11,500.00 of capital assets during the fiscal year ended June 30, 2007.

The Township of Heath had no long-term debt activity during the fiscal year ended June 30, 2007.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Township plan for the future includes replacing existing equipment as it wears out.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Township Supervisor, Clerk, or Treasurer by calling 269-751-2403 during the hours of 8:00 AM to 5:00 PM.

TOWNSHIP OF HEATH
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	1 555 732 13
Accounts receivable	<u>33 264 00</u>
Total Current Assets	<u>1 588 996 13</u>
NON-CURRENT ASSETS:	
Capital Assets	1 222 674 00
Less: Accumulated Depreciation	<u>(179 856 00)</u>
Total Non-current Assets	<u>1 042 818 00</u>
TOTAL ASSETS	<u><u>2 631 814 13</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	1 042 818 00
Reserved	39 560 19
Unrestricted	<u>1 549 435 94</u>
Total Net Assets	<u>2 631 814 13</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>2 631 814 13</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HEATH
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2007

		<u>Program Revenue</u>	<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	72 993 93	-	(72 993 93)
General government	121 849 77	81 089 39	(40 760 38)
Public safety	78 200 81	2 575 00	(75 625 81)
Public works	201 370 86	3 640 02	(197 730 84)
Culture and recreation	76 537 38	94 327 62	17 790 24
Other	6 072 17	-	(6 072 17)
Total Governmental Activities	<u>557 024 92</u>	<u>181 632 03</u>	<u>(375 392 89)</u>
General Revenues:			
Property taxes			506 104 00
Other taxes			11 698 55
State revenue sharing			216 437 18
Interest			67 189 93
Miscellaneous			<u>252 80</u>
Total General Revenues			<u>801 682 46</u>
Change in net assets			426 289 57
Net assets, beginning of year			<u>2 205 524 56</u>
Net Assets, End of Year			<u><u>2 631 814 13</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HEATH
Allegan County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2007

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	1 515 876 04	39 560 19	1 555 436 23
Accounts receivable	33 264 00	-	33 264 00
Due from other funds	<u>295 90</u>	<u>-</u>	<u>295 90</u>
Total Assets	<u>1 549 435 94</u>	<u>39 560 19</u>	<u>1 588 996 13</u>
<u>Liabilities and Fund Equity</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Reserved	-	39 560 19	39 560 19
Unreserved:			
Undesignated	<u>1 549 435 94</u>	<u>-</u>	<u>1 549 435 94</u>
Total fund equity	<u>1 549 435 94</u>	<u>39 560 19</u>	<u>1 588 996 13</u>
Total Liabilities and Fund Equity	<u>1 549 435 94</u>	<u>39 560 19</u>	<u>1 588 996 13</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HEATH
Allegan County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	1 588 996 13
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Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	1 222 674 00
Accumulated depreciation	<u>(179 856 00)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>2 631 814 13</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HEATH
Allegan County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended June 30, 2007

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:			
Property taxes	506 104 00	-	506 104 00
Other taxes	11 698 55	-	11 698 55
Licenses and permits	42 895 01	-	42 895 01
State revenue sharing	216 437 18	-	216 437 18
Charges for services:			
Property tax administration	36 969 38	-	36 969 38
Cemetery	3 250 00	550 00	3 800 00
Recreation	94 327 62	-	94 327 62
Interest	65 817 78	1 372 15	67 189 93
Special assessments	3 640 02	-	3 640 02
Miscellaneous	<u>252 80</u>	<u>-</u>	<u>252 80</u>
Total revenues	<u>981 392 34</u>	<u>1 922 15</u>	<u>983 314 49</u>
Expenditures:			
Legislative:			
Township Board	72 993 93	-	72 993 93
General government:			
Supervisor	15 827 22	-	15 827 22
Elections	4 405 01	-	4 405 01
Assessor	8 454 03	-	8 454 03
Clerk	15 083 42	-	15 083 42
Board of Review	1 023 50	-	1 023 50
Treasurer	17 159 68	-	17 159 68
Building and grounds	36 209 06	-	36 209 06
Cemetery	10 692 85	-	10 692 85
Public safety:			
Fire protection	70 774 00	-	70 774 00
Planning Commission	7 426 81	-	7 426 81
Public works:			
Highways and streets	201 370 86	-	201 370 86
Culture and recreation:			
Parks and recreation	75 763 38	-	75 763 38
Other:			
Payroll taxes	6 072 17	-	6 072 17
Capital outlay	<u>11 500 00</u>	<u>-</u>	<u>11 500 00</u>
Total expenditures	<u>554 755 92</u>	<u>-</u>	<u>554 755 92</u>
Excess of revenues over expenditures	426 636 42	1 922 15	428 558 57
Fund balance, July 1	<u>1 122 799 52</u>	<u>37 638 04</u>	<u>1 160 437 56</u>
Fund Balance, June 30	<u><u>1 549 435 94</u></u>	<u><u>39 560 19</u></u>	<u><u>1 588 996 13</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HEATH
Allegan County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 428 558 57

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(13 769 00)
Capital Outlay	<u>11 500 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 426 289 57

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HEATH
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Heath, Allegan County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Heath. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF HEATH
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Agency Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Permanent Fund

The Cemetery Perpetual Care Fund is reserved for cemetery care.

Joint Venture

The Township is a member of the Hamilton Fire Department. The Township appoints two members to the joint venture's governing board, which then approves the annual budget. Financial information of the joint venture may be obtained from the Fire Department in Hamilton, Michigan.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on August 17 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2006 tax roll millage rate was 5.1891 mills, and the taxable value was \$96,807,441.00.

TOWNSHIP OF HEATH
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	30-50 years
Furniture and equipment	5-30 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.

TOWNSHIP OF HEATH
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 555 732 13</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>1 367 802 36</u>
Total Deposits	<u>1 567 802 36</u>

The Township of Heath did not have any investments as of June 30, 2007.

TOWNSHIP OF HEATH
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 7/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/07</u>
Land	600 000 00	11 500 00	-	611 500 00
Buildings	546 018 00	-	-	546 018 00
Equipment	<u>65 156 00</u>	<u>-</u>	<u>-</u>	<u>65 156 00</u>
Total	1 211 174 00	11 500 00	-	1 222 674 00
Accumulated Depreciation	<u>(166 087 00)</u>	<u>(13 769 00)</u>	<u>-</u>	<u>(179 856 00)</u>
Net Capital Assets	<u>1 045 087 00</u>	<u>(2 269 00)</u>	<u>-</u>	<u>1 042 818 00</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of June 30, 2007, the Township had building permit revenues of \$25,596.00 and building permit expenses of \$31,241.93.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>295 90</u>	Current Tax Collection	<u>295 90</u>

TOWNSHIP OF HEATH
Allegan County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	490 000 00	514 000 00	506 104 00	(7 896 00)
Other taxes	8 600 00	8 600 00	11 698 55	3 098 55
Licenses and permits	38 650 00	38 850 00	42 895 01	4 045 01
State revenue sharing	215 000 00	215 000 00	216 437 18	1 437 18
Charges for services:				
Property tax administration	30 000 00	31 000 00	36 969 38	5 969 38
Cemetery lot sales	1 300 00	3 250 00	3 250 00	-
Recreation	75 500 00	86 000 00	94 327 62	8 327 62
Interest	21 200 00	41 200 00	65 817 78	24 617 78
Special assessments	2 500 00	2 500 00	3 640 02	1 140 02
Miscellaneous	21 000 00	21 000 00	252 80	(20 747 20)
Total revenues	903 750 00	961 400 00	981 392 34	19 992 34
Expenditures:				
Legislative:				
Township Board	86 500 00	86 500 00	72 993 93	(13 506 07)
General government:				
Supervisor	16 300 00	16 300 00	15 827 22	(472 78)
Elections	5 900 00	5 900 00	4 405 01	(1 494 99)
Assessor	8 700 00	8 700 00	8 454 03	(245 97)
Clerk	15 970 00	15 970 00	15 083 42	(886 58)
Board of Review	1 200 00	1 200 00	1 023 50	(176 50)
Treasurer	16 250 00	17 200 00	17 159 68	(40 32)
Building and grounds	51 350 00	39 350 00	36 209 06	(3 140 94)
Cemetery	13 900 00	13 900 00	10 692 85	(3 207 15)
Public safety:				
Fire protection	170 000 00	170 000 00	70 774 00	(99 226 00)
Planning Commission	11 250 00	11 250 00	7 426 81	(3 823 19)
Public works:				
Highways and streets	298 300 00	301 100 00	201 370 86	(99 729 14)
Culture and recreation:				
Parks and recreation	112 781 00	115 531 00	75 763 38	(39 767 62)
Other:				
Payroll taxes	20 500 00	20 700 00	6 072 17	(14 627 83)
Capital outlay	-	12 000 00	11 500 00	(500 00)
Total expenditures	828 901 00	835 601 00	554 755 92	(280 845 08)
Excess of revenues over expenditures	74 849 00	125 799 00	426 636 42	300 837 42
Fund balance, July 1	-	-	1 122 799 52	1 122 799 52
Fund Balance, June 30	74 849 00	125 799 00	1 549 435 94	1 423 636 94

TOWNSHIP OF HEATH
Allegan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2007

Township Board:	
Salaries	7 200 00
Supplies	2 149 25
Legal fees	12 738 84
Printing and publishing	2 719 16
Insurance	10 902 00
Audit	2 200 00
Contracted services	31 241 93
Memberships and dues	2 134 07
Miscellaneous	1 708 68
	<u>72 993 93</u>
Supervisor:	
Salary	15 499 92
Transportation	252 30
Miscellaneous	75 00
	<u>15 827 22</u>
Elections:	
Wages	2 456 88
Printing and publishing	838 03
Transportation	191 84
Miscellaneous	520 67
Supplies	397 59
	<u>4 405 01</u>
Assessor:	
Salary	7 500 00
Miscellaneous	954 03
	<u>8 454 03</u>
Clerk:	
Salary	15 000 00
Miscellaneous	83 42
	<u>15 083 42</u>
Board of Review:	
Salaries	900 00
Printing and publishing	123 50
	<u>1 023 50</u>
Treasurer:	
Salary	15 000 00
Miscellaneous	2 159 68
	<u>17 159 68</u>
Building and grounds:	
Wages	500 00
Supplies	297 06
Telephone	1 015 25
Utilities	1 917 27
Repairs and maintenance	22 714 02
Miscellaneous	1 248 08
Contracted services	8 517 38
	<u>36 209 06</u>

TOWNSHIP OF HEATH
Allegan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2007

Cemetery:	
Salaries	4 131 00
Supplies	247 99
Repairs and maintenance	5 611 30
Miscellaneous	702 56
	<u>10 692 85</u>
Fire protection:	
Contracted services	<u>70 774 00</u>
Planning Commission:	
Salaries	3 670 00
Printing and publishing	2 794 31
Miscellaneous	962 50
	<u>7 426 81</u>
Highways and streets:	
Utilities	15 370 40
Repairs and maintenance	186 000 46
	<u>201 370 86</u>
Parks and recreation:	
Salaries	11 129 58
Supplies	43 614 53
Utilities	1 694 13
Repairs and maintenance	15 070 11
Contracted services	1 440 73
Miscellaneous	2 814 30
	<u>75 763 38</u>
Payroll taxes	<u>6 072 17</u>
Capital outlay	<u>11 500 00</u>
Total Expenditures	<u><u>554 755 92</u></u>

TOWNSHIP OF HEATH
Allegan County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended June 30, 2007

	<u>Balance</u> <u>7/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/07</u>
<u>Assets</u>				
Cash in Bank	<u>3 917 84</u>	<u>3 146 226 77</u>	<u>3 149 848 71</u>	<u>295 90</u>
<u>Liabilities</u>				
Due to other funds	3 917 84	510 279 14	513 901 08	295 90
Due to others	<u>-</u>	<u>2 635 947 63</u>	<u>2 635 947 63</u>	<u>-</u>
Total Liabilities	<u>3 917 84</u>	<u>3 146 226 77</u>	<u>3 149 848 71</u>	<u>295 90</u>

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 13, 2007

To the Township Board
Township of Heath
Allegan County, Michigan

We have audited the financial statements of the Township of Heath for the year ended June 30, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Heath in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Heath
Allegan County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., PC
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants